

**City of West Burlington**

**Independent Auditor's Report  
Financial Statements and Supplementary Information  
Independent Auditor's Report on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2008**

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## City of West Burlington

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2009
Marc Pilger	Council Member	December, 2009
Tom Law	Council Member	December, 2009
Rod Crowner	Council Member	December, 2011
Therese Lees	Council Member	December, 2011
Richard Raleigh	Council Member	December, 2011
Dan Gifford	City Administrator	Not Elected
Leslie L. Sattler	Finance Officer	Not Elected
Kelly D. Fry	City Clerk	Not Elected



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## **Independent Auditor's Report**

Honorable Mayor and Members of City Council  
City of West Burlington, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Burlington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated September 8, 2008 on our consideration of the City of West Burlington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 21 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Burlington's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CPA Associates PC*

September 8, 2008

## **City of West Burlington Management's Discussion and Analysis**

The City of West Burlington provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 107.53%, or approximately \$4,659,800 from fiscal 2007 to fiscal 2008. Bond proceeds were received for \$4,133,100. Tax increment financing collections were up \$37,600, intergovernmental receipts were up \$172,700, and miscellaneous receipts were up \$153,300 more than the preceding year.
- Disbursements increased 118.77%, or approximately \$4,538,900 from fiscal 2008 to fiscal 2007. General government disbursements increased approximately \$171,900. Capital projects increased \$4,255,500 due to the construction of the new swimming pool.
- The City's total cash basis net assets increased more than 12%, or approximately \$479,300, from June 30, 2007 to June 30, 2008.

The City continued its street improvement plan which has been funded primarily through tax increment financing. The City is also presently working on water projects estimated at a cost of 2 million dollars. The City received notice of a \$481,000 grant to be administered through the EPA. This grant will assist the City in making a second connection to the City of Burlington's water distribution system and will provide water along Highway 406 Road. A State Revolving Fund loan of \$404,000 has been secured and is expected to be rolled into a \$1.6 million water revenue loan.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund.

Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for water and sewer, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$2.50 million to \$3.05 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2007</u>	<u>2008</u>
Receipts and transfers:		
Property tax	\$ 932	\$ 937
Tax increment financing collections	1,947	1,985
Local option sales tax	428	453
Road use funds	277	284
Operating grants, contributions and restricted interest	102	115
Capital grants, contributions and restricted interest	59	208
Use of money and property	110	168
Charges for services	282	255
Other receipts	249	386
Bond proceeds	-	4,133
Transfers, net	(53)	32
Total receipts and transfers	<u>4,333</u>	<u>8,956</u>
Disbursements:		
Public safety	1,083	1,050
Public works	456	507
Culture and recreation	86	112
Community and economic development	2	205
General government	291	457
Debt service	1,221	1,118
Capital projects	<u>682</u>	<u>4,911</u>
Total disbursements	<u>3,821</u>	<u>8,360</u>
Increase in cash basis net assets	512	596
Cash basis net assets, beginning of year	<u>1,937</u>	<u>2,449</u>
Cash basis net assets, end of year	<u>\$ 2,449</u>	<u>\$ 3,045</u>



The City's total receipts for governmental activities increased by 107.53%, or \$4,659,800. This was mainly due to bond proceeds of \$4,133,100 for construction of the new swimming pool. The total cost of all programs and services increased by approximately \$4,538,900 or 118.8%, with no new programs added this year. The most significant increase in expenditures was the construction of the new swimming pool.

The City continued to keep health insurance costs down by having employees contribute a larger portion to the cost of health insurance.

The cost of all governmental activities this year was \$8.360 million compared to \$3.821 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was \$7.783 million because some of the cost was paid by those who directly benefited from the programs (\$254,600) or by other governments and organizations that subsidized certain programs with grants and contributions (\$322,800). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$442,000 to approximately \$577,400, principally due to an increase in capital grants and contributions. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$7,783,100 in tax (some of which could only be used for certain programs) and with other receipts, such as bond proceeds, interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2007</u>	<u>2008</u>
Program receipts		
Water charges	\$ 705	\$ 671
Sewer charges	403	389
Interest	3	13
Water revenue loan proceeds	96	136
Other miscellaneous receipts	<u>27</u>	<u>26</u>
Total receipts	<u>1,234</u>	<u>1,235</u>
Disbursements and transfers:		
Water	717	695
Sewer	474	458
Capital outlay	115	167
Transfers	<u>(53)</u>	<u>32</u>
Total disbursements and transfers	<u>1,253</u>	<u>1,352</u>
Increase (decrease) in cash balance	(19)	(117)
Cash basis net assets, beginning of year	<u>1,293</u>	<u>1,274</u>
Cash basis net assets, end of year	<u>\$ 1,274</u>	<u>\$ 1,157</u>

Total business type activities receipts for the fiscal year were \$1.235 million compared to \$1.233 million last year. The cash balance decreased by approximately \$117,000. Total disbursements and transfers for the fiscal year increased by approximately 8% to a total of \$1.352 million.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds are to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

## Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,246,000, a decrease of \$165,000 from the prior year.
- The Road Use Tax Fund cash balance increased by \$6,600 to \$37,100 during the fiscal year. State road tax funds are distributed based upon population. The City does receive additional funds for a transfer of jurisdiction agreement.
- Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. This year the City transferred 35% of these Local Option Sales Tax revenues to the general fund. Debt Service is required to receive 25% of Local Option Sales Tax Revenues. The remainder is used to pay for capital projects, ambulance service and airport authority payments. At the end of the fiscal year, the fund balance was \$135,400.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

### Proprietary Funds

The cash balance of the Enterprise Funds decreased by \$117,000 to \$1,157,000. This decrease was due in part to a decrease in water and sewer usage and revenue, and the purchase of a John Deere wheel loader.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The amendment was approved on May 21, 2008 and resulted in an increase in revenues of approximately \$1,215,998 and an increase in disbursements of approximately \$1,534,619. Revenue increases included Local Option Sales Tax, building permit fees, intergovernmental, use of money and property, and miscellaneous income. Expenditures include capital projects, community and economic development, general government and transfers.

## **DEBT ADMINISTRATION**

At June 30, 2008, the City had approximately \$6,129,000 in bonds and other long-term debt, compared to approximately \$2,709,000 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)	June 30,	
	<u>2007</u>	<u>2008</u>
General obligation bonds	\$ 1,850	\$ 5,405
Water revenue loan	96	232
Capital loan notes	93	47
Urban renewal tax increment financing	<u>670</u>	<u>445</u>
Total	<u>\$ 2,709</u>	<u>\$ 6,129</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt of \$5.4055 million, capital loan note of \$47,242 and tax increment financing rebate agreements of \$1.8 million brings the City's debt limit to \$7.504 million, which is below its constitutional debt limit of \$9.46 million. In addition the City has urban renewal tax increment financing revenue bonds of \$445,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2009 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors included the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2008 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of residential housing market and increases in energy prices in 2008. Unemployment in the County now stands at 5.3%, versus 4.1% a year ago. This compares with the State's unemployment rate of 4.0%. These indicators were taken into account when adopting the budget for fiscal year 2009.

For fiscal year 2008/2009 the City's tax rate was lower from \$10.00 to \$9.86 per \$1,000 of taxable assessed valuation.

Multiple indicators were taken into account when adopting the budget for fiscal year 2008/2009. Excluding grants and loans for water and street projects and transfers, receipts were decreased by 1.7% (91,798) and disbursements were decreased by 1.2% (63,135). The decrease in revenues was largely to the reduction in Tax Increment Financing. The City requested to receive \$500,000 less than the TIF areas would generate in taxes and will still have enough revenue to pay all TIF debt requirements. The general fund budget increased by 24.6%. This is largely due to the increase in taxable assessed value as a result of the reduction in the TIF request. Even with this the City has budgeted to spend down approximately \$20,000 in the general fund reserves. Road use funds are expected to have a surplus of revenues over expenditures of \$5,000.

The City had originally budgeted a deficit in the water department of \$62,597 for operations. The City has also decided to fund the water improvement project along Highway 406 to the IAAP plant with a \$330,000 State Revolving Fund loan to be paid back with water revenue, a \$400,000 State Revolving Fund General Obligation Loan, the EPA grant of \$481,100, and spend down water reserves of approximately \$250,000. The City has raised water rates sufficiently to cover the loss from operations of the water department and to cover the principal and interest payments due in fiscal year 2008/2009.

The sewer fund balance has expenditures exceeding revenues of approximately \$13,500 this includes a pay back of an internal loan of \$93,741. Rates have been increased since the budget was certified to generate about \$35,000 in additional revenues. There are sufficient reserves to cover the operating loss.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Dan Gifford, City Administrator, City of West Burlington, 122 Broadway, West Burlington, Iowa 52655.

## **FINANCIAL STATEMENTS**

**City of West Burlington**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2008**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 1,049,996	\$ 78,275	\$ 79,804	\$ 1,000	\$ (890,917)	\$ -	\$ (890,917)
Public works	506,502	123,437	18,164	-	(364,901)	-	(364,901)
Culture and recreation	111,732	51,543	16,014	-	(44,175)	-	(44,175)
Community and economic development	205,075	720	-	-	(204,355)	-	(204,355)
General government	457,439	623	772	-	(456,044)	-	(456,044)
Debt service	1,118,458	-	-	-	(1,118,458)	-	(1,118,458)
Capital projects	<u>4,911,209</u>	<u>-</u>	<u>-</u>	<u>207,000</u>	<u>(4,704,209)</u>	<u>-</u>	<u>(4,704,209)</u>
Total governmental activities	<u>8,360,411</u>	<u>254,598</u>	<u>114,754</u>	<u>208,000</u>	<u>(7,783,059)</u>	<u>-</u>	<u>(7,783,059)</u>
Business type activities:							
Water	810,476	671,323	-	-	-	(139,153)	(139,153)
Sewer	<u>497,000</u>	<u>389,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,685)</u>	<u>(107,685)</u>
Total business type activities	<u>1,307,476</u>	<u>1,060,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,838)</u>	<u>(246,838)</u>
Total	<u>\$ 9,667,887</u>	<u>\$ 1,315,236</u>	<u>\$ 114,754</u>	<u>\$ 208,000</u>	<u>(7,783,059)</u>	<u>(246,838)</u>	<u>(8,029,897)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					754,342	-	754,342
Tax increment financing					1,985,012	-	1,985,012
Debt service					183,129	-	183,129
Local option sales tax					452,966	-	452,966
Road use tax					284,249	-	284,249
Unrestricted investment earnings					168,496	13,419	181,915
Loan proceeds					4,133,084	136,264	4,269,348
Transfers					32,000	(32,000)	-
Miscellaneous					<u>386,326</u>	<u>11,896</u>	<u>398,222</u>
Total general receipts and transfers					<u>8,379,604</u>	<u>129,579</u>	<u>8,509,183</u>
Change in cash basis net assets					596,545	(117,259)	479,286
Cash basis net assets, beginning of year					<u>2,448,729</u>	<u>1,274,306</u>	<u>3,723,035</u>
Cash basis net assets, end of year					<u>\$ 3,045,274</u>	<u>\$ 1,157,047</u>	<u>\$ 4,202,321</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Streets					\$ 37,087	\$ -	\$ 37,087
Sales Tax					135,349	-	135,349
Other purposes					1,626,919	207,821	1,834,740
Unrestricted					<u>1,245,919</u>	<u>949,226</u>	<u>2,195,145</u>
Total cash basis net assets					<u>\$ 3,045,274</u>	<u>\$ 1,157,047</u>	<u>\$ 4,202,321</u>

See notes to financial statements.

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2008**

	Special Revenue						Other Nonmajor	
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects	Governmental	Total
Receipts:								
Property tax	\$ 748,675	\$ -	\$ -	\$ -	\$ 183,129	\$ -	\$ -	\$ 931,804
Tax increment financing collections	-	-	-	1,985,012	-	-	-	1,985,012
Other taxes	4,903	-	452,966	-	764	-	78,862	537,495
Use of money and property	108,762	-	-	-	-	59,734	-	168,496
License and permits	65,219	-	-	-	-	-	-	65,219
Intergovernmental	87,235	284,249	-	207,000	-	-	-	578,484
Charges for services	160,947	-	-	-	-	-	-	160,947
Miscellaneous	133,988	-	-	134,048	-	-	96,379	364,415
Total receipts	<u>1,309,729</u>	<u>284,249</u>	<u>452,966</u>	<u>2,326,060</u>	<u>183,893</u>	<u>59,734</u>	<u>175,241</u>	<u>4,791,872</u>
Disbursements:								
Operating:								
Public safety	1,025,140	-	24,856	-	-	-	-	1,049,996
Public works	216,671	269,609	20,222	-	-	-	-	506,502
Culture and recreation	81,848	-	-	-	-	-	29,884	111,732
Community and economic development	3,925	-	-	201,150	-	-	-	205,075
General government	210,725	-	47,206	-	-	-	199,508	457,439
Debt service	-	-	-	250,893	867,565	-	-	1,118,458
Capital projects	19,000	-	47,185	1,204,449	-	3,640,575	-	4,911,209
Total disbursements	<u>1,557,309</u>	<u>269,609</u>	<u>139,469</u>	<u>1,656,492</u>	<u>867,565</u>	<u>3,640,575</u>	<u>229,392</u>	<u>8,360,411</u>
Excess (deficiency) of receipts over disbursements	(247,580)	14,640	313,497	669,568	(683,672)	(3,580,841)	(54,151)	(3,568,539)
Other financing sources (uses):								
Debt proceeds	-	-	-	-	-	4,133,084	-	4,133,084
Operating transfers in (out)	<u>82,611</u>	<u>(8,000)</u>	<u>(273,773)</u>	<u>(490,860)</u>	<u>687,966</u>	<u>(23,569)</u>	<u>57,625</u>	<u>32,000</u>
Net change in cash balances	(164,969)	6,640	39,724	178,708	4,294	528,674	3,474	596,545
Cash balances, beginning of year	<u>1,410,888</u>	<u>30,447</u>	<u>95,625</u>	<u>767,945</u>	<u>(2,924)</u>	<u>79,052</u>	<u>67,696</u>	<u>2,448,729</u>
Cash balances, end of year	<u>\$ 1,245,919</u>	<u>\$ 37,087</u>	<u>\$ 135,349</u>	<u>\$ 946,653</u>	<u>\$ 1,370</u>	<u>\$ 607,726</u>	<u>\$ 71,170</u>	<u>\$ 3,045,274</u>
<b>Cash Basis Fund Balances</b>								
Reserved:								
Debt service	\$ -	\$ -	\$ -	\$ 946,653	\$ 1,370	\$ -	\$ -	\$ 948,023
Unreserved:								
General fund	1,245,919	-	-	-	-	-	-	1,245,919
Special revenue fund	-	37,087	135,349	-	-	-	71,170	243,606
Capital projects fund	-	-	-	-	-	607,726	-	607,726
<b>Total cash basis fund balances</b>	<u>\$ 1,245,919</u>	<u>\$ 37,087</u>	<u>\$ 135,349</u>	<u>\$ 946,653</u>	<u>\$ 1,370</u>	<u>\$ 607,726</u>	<u>\$ 71,170</u>	<u>\$ 3,045,274</u>

See notes to financial statements.

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2008**

	Enterprise Funds					
	Water Service	Water Equipment Reserve	Sewer Service	Sewer Equipment Reserve	Nonmajor Enterprise Fund	Total
Operating receipts:						
Charges for services	\$ 671,323	\$ -	\$ 389,075	\$ -	\$ -	\$ 1,060,398
Special assessments	-	-	240	-	-	240
Total operating receipts	<u>671,323</u>	<u>-</u>	<u>389,315</u>	<u>-</u>	<u>-</u>	<u>1,060,638</u>
Operating disbursements:						
Business type activities	<u>682,400</u>	<u>-</u>	<u>458,451</u>	<u>-</u>	<u>12,256</u>	<u>1,153,107</u>
Total operating disbursements	<u>682,400</u>	<u>-</u>	<u>458,451</u>	<u>-</u>	<u>12,256</u>	<u>1,153,107</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(11,077)</u>	<u>-</u>	<u>(69,136)</u>	<u>-</u>	<u>(12,256)</u>	<u>(92,469)</u>
Non-operating receipts (disbursements):						
Interest on investments	13,419	-	-	-	-	13,419
Miscellaneous	10,011	-	3,044	-	11,097	24,152
Debt Proceeds	136,264	-	-	-	-	136,264
Capital projects	<u>(128,076)</u>	<u>-</u>	<u>(38,549)</u>	<u>-</u>	<u>-</u>	<u>(166,625)</u>
Net non-operating receipts (disbursements)	<u>31,618</u>	<u>-</u>	<u>(35,505)</u>	<u>-</u>	<u>11,097</u>	<u>7,210</u>
Excess of receipts over disbursements	<u>20,541</u>	<u>-</u>	<u>(104,641)</u>	<u>-</u>	<u>(1,159)</u>	<u>(85,259)</u>
Operating transfers in (out)	<u>11,660</u>	<u>(28,549)</u>	<u>13,438</u>	<u>(28,549)</u>	<u>-</u>	<u>(32,000)</u>
Net change in cash balances	32,201	(28,549)	(91,203)	(28,549)	(1,159)	(117,259)
Cash balances, beginning of year	<u>767,880</u>	<u>115,142</u>	<u>240,348</u>	<u>86,103</u>	<u>64,833</u>	<u>1,274,306</u>
Cash balances, end of year	<u>\$ 800,081</u>	<u>\$ 86,593</u>	<u>\$ 149,145</u>	<u>\$ 57,554</u>	<u>\$ 63,674</u>	<u>\$ 1,157,047</u>
<b>Cash Basis Fund Balances</b>						
Reserved for other purposes	\$ -	\$ 86,593	\$ -	\$ 57,554	\$ 63,674	\$ 207,821
Unreserved	<u>800,081</u>	<u>-</u>	<u>149,145</u>	<u>-</u>	<u>-</u>	<u>949,226</u>
Total cash basis fund balances	<u>\$ 800,081</u>	<u>\$ 86,593</u>	<u>\$ 149,145</u>	<u>\$ 57,554</u>	<u>\$ 63,674</u>	<u>\$ 1,157,047</u>

See notes to financial statements.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Significant Accounting Policies**

The City of West Burlington is a political subdivision of the State of Iowa located in Des Moines County. It was first incorporated in 1884 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of West Burlington has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission and Southeast Iowa Regional Airport Authority Board. See Note 9 for details. Both of these organizations have financial statements available at City Hall.

The City officials are also members of the following: 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and the drug task force.

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Significant Accounting Policies (continued)**

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Significant Accounting Policies (continued)**

The Water Equipment Reserve account is funds set aside to fund major equipment purchases for the water department.

The Sewer Equipment Reserve account is funds set aside to fund major equipment purchases for the sewer department.

Measurement Focus and Basis of Accounting

The City of West Burlington maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, no disbursements exceeded the amounts budgeted.

**Note 2. Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll, except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$82,823, \$81,762, and \$80,100, respectively, equal to the required contributions for each year.

**City of West Burlington**  
**Notes to Financial Statements**

**Note 3. Bonds and Notes Payable**

Bond Indebtedness

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 887,242	\$ 203,226	\$ 225,000	\$ 18,915	\$ -	\$ -	\$1,112,242	\$ 222,141
2010	1,095,000	167,162	25,000	12,190	232,198	-	1,352,198	179,352
2011	1,135,000	141,176	30,000	10,978	-	-	1,165,000	152,154
2012-2016	<u>2,335,000</u>	<u>190,040</u>	<u>165,000</u>	<u>29,733</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>219,773</u>
	<u>\$ 5,452,242</u>	<u>\$ 701,604</u>	<u>\$ 445,000</u>	<u>\$ 71,816</u>	<u>\$ 232,198</u>	<u>\$ -</u>	<u>\$ 6,129,440</u>	<u>\$ 773,420</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Fund, Urban Renewal Tax Increment Financing and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the Urban Tax Increment Financing shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The interest rate on the general obligation bonds range from 2.55% to 6.2%. The total interest expense recorded for the year ended June 30, 2008 was \$301,980.

The water revenue loan and disbursement note was approved to borrow money in a principal amount not to exceed \$1,620,000 for the purpose of the cost, to that extent, of constructing improvements and extensions to the Municipal Waterworks System. The note will be payable solely and only from the net revenues of the Municipal Waterworks System of the City. The interim loan and disbursement note was approved for \$404,000, and shall bear interest at the rate of 0% per annum with a maturity date of August 7, 2010. The note will reimburse the engineering planning and design costs of constructing improvements and extensions to the Municipal Waterworks System.

See the Statement of Indebtedness regarding the details of the development agreements.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 4. Cash and Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 40.

The City recorded interest receipts during the year of \$165,805.

**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2008, primarily relating to the General Fund is \$86,394 based on rates of pay in effect at June 30, 2008.

**Note 6. Risk Management**

The City of West Burlington is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 7. Related Party Transactions**

No material transactions were noted during the course of the audit between the City and City officials.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 8. Commitments**

The City entered a five year agreement with the Quad-Township Fire Association (Association) (consisting of Concordia, Flint River, Tama and Union Townships), in January 2004. The City agreed to answer all fire and emergency calls in the Township areas; and the Association will pay the members and officers of the West Burlington Volunteer Fire Department for these calls. The City also agreed to house and store the Association's fire fighting vehicles and equipment for an annual rental of \$5,000.

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City are as follows:

Water distribution	\$ 1,083,827
Street construction	314,591
Swimming pool	<u>322,108</u>
	<u>\$ 1,720,526</u>

**Note 9. Joint Venture**

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven member board. The City paid approximately \$29,236 in recycling fees in fiscal year 2008.

The City also participates with the City of Burlington in an agreement with the Southeast Iowa Regional Airport Authority. The City appoints one member of the five member Board of Trustees. The City contributes \$18,000 per year (indefinitely) to the Airport, with a five year notice of cancellation requirement.

**Note 10. Industrial Development Revenue Bonds**

The City has issued \$4,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower of the bonds and the bond principal and interest do not constitute liabilities of the City.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 11. Self-Insured Health Benefits**

The City of West Burlington has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage the union employees pays 25% of the difference between the single and the family policy and non-union employees pay 5% of the difference between the single and family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$300 per individual and \$600 per family. The total maximum reimbursement liability to be paid by the City is \$96,800. The City's cost related to this reimbursement for the years ended June 30, 2008 and 2007 was approximately \$86,336 and \$83,075, respectively.

**Note 12. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to:	
General fund	\$ 425,744
Equipment replacement	52,500
Water revenue	38,549
Sewer revenue	38,549
Nonmajor enterprise	113,450
Tax increment financing	1,029,309
Debt service	<u>687,966</u>
	<u>\$ 2,386,067</u>
Transfer from:	
Water revenue	\$ 26,889
Sewer revenue	25,111
General fund	343,133
Equipment replacement	125,998
Capital projects	7,168
Road use	8,000
Hotel/Motel tax	18,037
Employee benefits	37,788
Local option	273,773
Tax increment financing	<u>1,520,170</u>
	<u>\$ 2,386,067</u>

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 13. Contract with the Burlington Municipal Waterworks**

On August 16, 1995, the City of West Burlington entered into an agreement with the Burlington Municipal Waterworks to provide for the sale of water to the City of West Burlington. The contract provides an initial term of twenty years, with four additional terms of five years each, unless cancelled by either party after the initial term expires. Water usage began on January 1, 1996 and expenses of \$255,334 were recorded for the year ended June 30, 2008.

**Note 14. Prospective Accounting Change**

The Government Accounting Standards Board (GASB) has issued several statements not yet implemented by the City of West Burlington. The statements, which might impact the City of West Burlington, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City for the fiscal year ending June 30, 2009. This Statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This Statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities or assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City for the fiscal year ending June 30, 2009. This Statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**City of West Burlington**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2008**

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
<b>Receipts:</b>							
Property tax	\$ 931,804	\$ -	\$ -	\$ 931,804	\$ 921,404	\$ 921,404	\$ 10,400
Tax increment financing collections	1,985,012	-	-	1,985,012	1,974,124	1,974,124	10,888
Other city taxes	537,495	-	-	537,495	492,324	542,324	(4,829)
Use of money and property	168,496	13,419	-	181,915	75,000	164,500	17,415
Licenses and permits	65,219	-	-	65,219	68,720	68,720	(3,501)
Intergovernmental	578,484	-	-	578,484	1,009,611	1,033,251	(454,767)
Charges for service	160,947	1,060,398	-	1,221,345	1,298,443	1,298,443	(77,098)
Special assessments	-	240	-	240	-	-	240
Miscellaneous	<u>364,415</u>	<u>24,152</u>	<u>175,241</u>	<u>213,326</u>	<u>171,575</u>	<u>343,833</u>	<u>(130,507)</u>
Total receipts	<u>4,791,872</u>	<u>1,098,209</u>	<u>175,241</u>	<u>5,714,840</u>	<u>6,011,201</u>	<u>6,346,599</u>	<u>(631,759)</u>
<b>Disbursements:</b>							
Public safety	1,049,996	-	-	1,049,996	1,104,994	1,104,994	54,998
Public works	506,502	-	-	506,502	507,103	531,898	25,396
Culture and recreation	111,732	-	29,884	81,848	106,642	128,642	46,794
Community and economic development	205,075	-	-	205,075	8,439	239,439	34,364
General government	457,439	-	199,508	257,931	320,606	488,536	230,605
Debt service	1,118,458	-	-	1,118,458	1,248,164	1,358,909	240,451
Capital projects	4,911,209	166,625	-	5,077,834	5,243,500	6,231,649	1,153,815
Business type activities	-	<u>1,153,107</u>	-	<u>1,153,107</u>	<u>2,915,631</u>	<u>2,905,631</u>	<u>1,752,524</u>
Total disbursements	<u>8,360,411</u>	<u>1,319,732</u>	<u>229,392</u>	<u>9,450,751</u>	<u>11,455,079</u>	<u>12,989,698</u>	<u>3,538,947</u>
Excess (deficiency) of receipts over disbursements	(3,568,539)	(221,523)	(54,151)	(3,735,911)	(5,443,878)	(6,643,099)	
Other financing sources	<u>4,165,084</u>	<u>104,264</u>	-	<u>4,269,348</u>	<u>5,654,000</u>	<u>5,991,149</u>	
Net change in cash balances	596,545	(117,259)	(54,151)	533,437	210,122	(651,950)	
Balances, beginning of year	<u>2,448,729</u>	<u>1,274,306</u>	<u>100,762</u>	<u>3,622,273</u>	<u>2,955,164</u>	<u>2,955,164</u>	
Balances, end of year	<u>\$ 3,045,274</u>	<u>\$ 1,157,047</u>	<u>\$ 46,611</u>	<u>\$ 4,155,710</u>	<u>\$ 3,165,286</u>	<u>\$ 2,303,214</u>	

See accompanying independent auditor's report.

**City of West Burlington**  
**Notes to Required Supplementary Information - Budgetary Reporting**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,534,619. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**

	<u>Fourth of July Celebration</u>	<u>Medical Insurance</u>	<u>Hotel/Motel Tax</u>	<u>SE Iowa Safety and Support</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:						
Other taxes	-	-	41,074	-	37,788	78,862
Miscellaneous	<u>16,014</u>	<u>1,474</u>	<u>-</u>	<u>38,961</u>	<u>39,930</u>	<u>96,379</u>
Total receipts	<u>16,014</u>	<u>1,474</u>	<u>41,074</u>	<u>38,961</u>	<u>77,718</u>	<u>175,241</u>
Disbursements:						
Culture and recreation	29,884	-	-	-	-	29,884
General government	<u>-</u>	<u>101,346</u>	<u>18,781</u>	<u>39,451</u>	<u>39,930</u>	<u>199,508</u>
Total disbursements	<u>29,884</u>	<u>101,346</u>	<u>18,781</u>	<u>39,451</u>	<u>39,930</u>	<u>229,392</u>
Excess (deficiency) of receipts over disbursements	<u>(13,870)</u>	<u>(99,872)</u>	<u>22,293</u>	<u>(490)</u>	<u>37,788</u>	<u>(54,151)</u>
Other financing sources (uses):						
Operating transfers in	10,000	103,450	-	-	-	113,450
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(18,037)</u>	<u>-</u>	<u>(37,788)</u>	<u>(55,825)</u>
	<u>10,000</u>	<u>103,450</u>	<u>(18,037)</u>	<u>-</u>	<u>(37,788)</u>	<u>57,625</u>
Net change in cash balances	(3,870)	3,578	4,256	(490)	-	3,474
Cash balances, beginning of year	<u>17,460</u>	<u>31,162</u>	<u>-</u>	<u>19,074</u>	<u>-</u>	<u>67,696</u>
Cash balances, end of year	<u>\$ 13,590</u>	<u>\$ 34,740</u>	<u>\$ 4,256</u>	<u>\$ 18,584</u>	<u>\$ -</u>	<u>\$ 71,170</u>
<b>Cash Basis Fund Balances</b>						
Unreserved:						
Special revenue funds	<u>\$ 13,590</u>	<u>\$ 34,740</u>	<u>\$ 4,256</u>	<u>\$ 18,584</u>	<u>\$ -</u>	<u>\$ 71,170</u>
Total cash fund balances	<u>\$ 13,590</u>	<u>\$ 34,740</u>	<u>\$ 4,256</u>	<u>\$ 18,584</u>	<u>\$ -</u>	<u>\$ 71,170</u>

See accompanying independent auditor's report.

**City of West Burlington  
Statement of Indebtedness  
Year Ended June 30, 2008**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<b>General obligation bonds:</b>									
Street improvement notes	06/10/96	4.70-6.20%	\$ 740,000	\$ 265,000	\$ -	\$ 265,000	\$ -	\$ 16,430	\$ -
Street improvement and refunding notes	03/01/03	1.35-3.20%	3,630,000	1,585,000	-	380,000	1,205,000	45,890	-
Aquatic center bonds	10/01/07	3.80-4.05%	4,200,000	-	<u>4,200,000</u>	-	<u>4,200,000</u>	<u>110,245</u>	-
Total				<u>\$ 1,850,000</u>	<u>\$ 4,200,000</u>	<u>\$ 645,000</u>	<u>\$ 5,405,000</u>	<u>\$ 172,565</u>	<u>\$ -</u>
<b>Capital loan note:</b>									
Fire truck purchase	08/08/05	3.50%	\$ 136,996	<u>\$ 92,891</u>	<u>\$ -</u>	<u>\$ 45,649</u>	<u>\$ 47,242</u>	<u>\$ 3,260</u>	<u>\$ 1,658</u>
<b>Water revenue note:</b>									
Interim loan and disbursement agreement	08/07/06	0.00%	\$ 404,000	<u>\$ 95,933</u>	<u>\$ 136,265</u>	<u>\$ -</u>	<u>\$ 232,198</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Urban renewal TIF revenue bonds:</b>									
Series 2003-A COBO	08/01/03	3.25-6.00%	\$ 320,000	\$ 270,000	\$ -	\$ 25,000	\$ 245,000	\$ 14,378	\$ -
Series 2003 City Hall	05/28/04	2.80%	1,000,000	<u>400,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>11,215</u>	<u>-</u>
Total				<u>\$ 670,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 445,000</u>	<u>\$ 25,593</u>	<u>\$ -</u>
<b>Development agreements</b>	Various	5.70%	\$ 2,161,000	<u>\$ 1,920,559</u>	<u>\$ -</u>	<u>\$ 100,588</u>	<u>\$ 1,819,971</u>	<u>\$ 100,563</u>	<u>\$ -</u>

**Development Agreement:**

The City has entered into an agreement with a developer providing reimbursements from the City to the developer based upon a 20 year agreement.

The developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the developer using an assumed amortization of 20 years at a rate of 5.7%. The City's payment will not exceed the increase in property taxes on the valuation of the land.

At the end of the 20 year period the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2008 was \$52,981 with \$100,588 applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2008 was \$47,582 with no principal applied. The terms for these agreements are 10 years using interest rate assumptions of 5.7% to 6.75%. These agreements are expected to begin principal reimbursements in the next fiscal year.

See accompanying independent auditor's report.

**City of West Burlington  
Bond and Note Maturities  
June 30, 2008**

**General Obligation Bonds:**

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Street Improvement Notes March 1, 2003 <u>Amount</u>	Interest <u>Rate</u>	Aquatic Center Bond October 1, 2007 <u>Amount</u>	<u>Total</u>
2009	2.80%	\$ 390,000	3.80%	\$ 450,000	\$ 840,000
2010	3.00%	400,000	3.85%	695,000	1,095,000
2011	3.20%	415,000	3.90%	720,000	1,135,000
2012		-	3.95%	750,000	750,000
2013		-	4.00%	775,000	775,000
2014		-	4.05%	810,000	810,000
		<u>\$ 1,205,000</u>		<u>\$ 4,200,000</u>	<u>\$ 5,405,000</u>

**Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:**

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	COBO 2003-A <u>Amount</u>	Interest <u>Rate</u>	City Hall 2003 <u>Amount</u>	<u>Total</u>
2009	4.50%	\$ 25,000	2.80%	\$ 200,000	\$ 225,000
2010	4.85%	25,000		-	25,000
2011	5.10%	30,000		-	30,000
2012	5.35%	30,000		-	30,000
2013	5.55%	30,000		-	30,000
2014	5.75%	35,000		-	35,000
2015	5.90%	35,000		-	35,000
2016	6.00%	35,000		-	35,000
		<u>\$ 245,000</u>		<u>\$ 200,000</u>	<u>\$ 445,000</u>

**Capital Loan Note:**

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	<u>Fire Truck</u>
2009	3.50%	<u>\$ 47,242</u>

**Water Revenue Note:**

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	
2009	0.00%	\$ -
2010	0.00%	<u>232,198</u>
		<u>\$ 232,198</u>

See accompanying independent auditor's report.

**City of West Burlington**  
**Schedule of Receipts by Source and Disbursements by Function -**  
**All Governmental Funds**

	Year Ending June 30,					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:						
Property tax	\$ 931,804	\$ 927,315	\$ 934,197	\$ 936,733	\$ 978,252	\$ 1,060,387
Tax increment financing collections	1,985,012	1,947,354	1,899,816	1,771,802	1,399,350	1,334,487
Other city taxes	537,495	433,246	385,512	391,763	426,373	370,031
Use of money and property	168,496	110,046	86,271	59,911	68,661	47,845
Licenses and permits	65,219	96,860	51,125	90,160	55,398	31,870
Intergovernmental	578,484	405,794	454,128	716,922	372,533	454,443
Charges for services	160,947	139,111	146,190	104,357	94,223	92,562
Special assessments	-	36,138	-	-	-	-
Miscellaneous	<u>364,415</u>	<u>290,025</u>	<u>410,076</u>	<u>437,425</u>	<u>305,762</u>	<u>101,145</u>
Total	<u>\$ 4,791,872</u>	<u>\$ 4,385,889</u>	<u>\$ 4,367,315</u>	<u>\$ 4,509,073</u>	<u>\$ 3,700,552</u>	<u>\$ 3,492,770</u>
Disbursements:						
Operating:						
Public safety	\$ 1,049,996	\$ 1,084,115	\$ 1,370,520	\$ 1,046,473	\$ 1,014,372	\$ 950,496
Public works	506,502	455,784	451,451	455,956	507,960	440,143
Culture and recreation	111,732	86,148	101,012	80,579	73,754	80,127
Community and economic development	205,075	2,349	16,837	2,607	287,374	63,681
General government	457,439	290,544	299,438	227,568	246,845	174,589
Debt service	1,118,458	1,220,655	1,118,576	1,445,846	1,130,716	1,502,503
Capital projects	<u>4,911,209</u>	<u>681,900</u>	<u>930,076</u>	<u>1,995,007</u>	<u>3,311,529</u>	<u>1,378,528</u>
Total	<u>\$ 8,360,411</u>	<u>\$ 3,821,495</u>	<u>\$ 4,287,910</u>	<u>\$ 5,254,036</u>	<u>\$ 6,572,550</u>	<u>\$ 4,590,067</u>

See accompanying independent auditor's report.

**City of West Burlington**  
**Schedule of Selected Employee Related Expenses**

	Year Ended June 30,					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Disbursements:						
Gross salaries	\$ 1,203,879	\$ 1,164,260	\$ 1,158,300	\$ 1,081,500	\$ 1,087,640	\$ 1,042,363
FICA expense	89,500	87,100	87,400	81,500	82,298	78,724
IPERS & ICMA expense	<u>82,800</u>	<u>81,800</u>	<u>83,700</u>	<u>76,100</u>	<u>74,271</u>	<u>69,886</u>
Total	<u>\$ 1,376,179</u>	<u>\$ 1,333,160</u>	<u>\$ 1,329,400</u>	<u>\$ 1,239,100</u>	<u>\$ 1,244,209</u>	<u>\$ 1,190,973</u>

See accompanying independent auditor's report.





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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 8, 2008. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of West Burlington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of West Burlington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Burlington's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of West Burlington's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other misstatement of the City of West Burlington's financial statements that is more than inconsequential will not be prevented or detected by the City of West Burlington's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of West Burlington's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above none are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Burlington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of West Burlington's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of West Burlington's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Burlington and other parties to whom the City of West Burlington may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of West Burlington during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*CPA Associates PC*

September 8, 2008

**City of West Burlington**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

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**Part I: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES**

I-A-08     Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with generally accepted accounting principles. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of West Burlington. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

I-B-08     Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**City of West Burlington  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008**

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**Part II: Other Findings Related to Statutory Reporting**

- II-A-08 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.
- II-B-08 Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any program. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- The City published a notice of public hearing on the budget including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.
- II-C-08 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-08 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.
- II-F-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-08 Bonds and Revenue Notes - The City has complied with the revenue bond and note resolutions.
- II-I-08 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.